

OPEN MEETING

MEMORANDUM



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TO: THE COMMISSION

FROM: Utilities Division

DATE: July 10, 2001

RE: IN THE MATTER OF THE APPLICATION OF MESCAL LAKES WATER SYSTEMS, INC., FILING FOR APPROVAL OF A CURTAILMENT PLAN TARIFF FOR ITS SYSTEM (DOCKET NO. W-02472A-01-0432)

On June 4, 2001, Mescal Lakes Water Systems, Inc., ("Mescal Lakes" or "Company") filed an application with the Commission requesting approval of a curtailment plan. Mescal Lakes is a public service corporation which provides water utility service to the public in a portion of Cochise County, Arizona. Mescal Lakes has two wells and serves 413 customers north of Sierra Vista.

Mescal Lakes is requesting approval of a Curtailment Tariff. The purpose of this tariff is to establish guidelines to restrict the water use of customers at times when Mescal Lakes is experiencing a water shortage emergency.

The curtailment tariff being proposed by Mescal Lakes would work in stages as follows:

Stage 1 Exists When:

- a. The Company is able to maintain water storage in the system at 100 percent of capacity and there are no known problems with its well production or water storage in the system.

Restrictions: Under Stage 1, the Company is deemed to be operating normally and no curtailment restrictions are necessary.

Notice Requirements: Under Stage 1, no notice is necessary.

Stage 2 Exists When:

- a. The Company's total storage and well production has been less than 80 percent of capacity for at least 48 hours consecutive hours, and
- b. The Company has identified issues such as steadily declining water table, an increased draw-down threatening pump operations, poor water

production creating a reasonable belief the Company will be unable to meet anticipated water demands in the system.

Restrictions: Under Stage 2, the Company may request the customers to voluntarily employ water conservation measures to reduce water consumption by approximately 50 percent. Outside watering should be limited to essential water, dividing outside watering on some uniform basis (such as even and odd days) and eliminating outside watering on weekends and holidays.

Notice Requirements: Under Stage 2, the Company is required to notify customers by delivering written notice door to door at each address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.

Stage 3 Exists When:

- a. The Company's total storage and well production has been less than 50 percent for at least 24 consecutive hours. The Company has identified issues such as a steadily declining water table, and increased draw down threatening pump operations creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustain basis. The Company must rely on an emergency connection with the City of Tucson to augment the minimum needs of the customers.

Restrictions: Under Stage 3, the Company shall request the customers to voluntarily employ water conservation measures to reduce daily consumption by approximately 50 percent. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed wherever possible.

Notice Requirements:

The Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.

- a. Beginning with Stage 3, the Company shall post at least two signs showing curtailment stage. Signs shall be posted at the well site and at the entrance to the major subdivision served by the Company.
- b. The Company shall notify the Consumer Services Unit of the Utilities Division of the Commission at least 12 hours prior to entering Stage 3.

Stage 4 Exists When:

- a. The Company's total storage has been less than 25 percent for at least 12 consecutive hours. The Company has identified issues such as a steadily declining water table, and increased draw down threatening pump operations creating a reasonable belief the Company will be unable to meet anticipated water demand on a sustained basis. The Company must rely on an emergency connection with the City of Tucson to augment the minimum needs of the customers.

Restrictions: Under Stage 4, the Company shall inform the customers of a mandatory restriction to employ water conservation measures to reduce daily consumption. All outside watering should be eliminated, except livestock, and indoor water conservation techniques should be employed wherever possible. Failure to comply will result in temporary disconnection.

Notice Requirements:

- a. The Company is required to notify customers by delivering written notice to each service address, or by United States first class mail to the billing address or, at the Company's option, both. Such Notice shall notify the customers of the general nature of the problem and the need to conserve water.
- b. The Company shall have posted at least two signs showing curtailment stage. Signs shall be posted at the well site and at the main entrance to the major subdivision served by the Company.
- c. The Company shall notify the Consumer Services Unit of the Utilities Division of the Commission at least 12 hours prior to entering Stage 4.
- d. Customers who fail to comply with cessation of outdoor use provisions will be given a written notice to end all outside use. Failure to comply within two (2) working days of receipt of the notice will result in temporary loss of service until an agreement can be made to end unauthorized use of outside water. To restore service, the customer shall be required to pay all authorized reconnection fees.

Staff agrees with Mescal Lakes that it needs a curtailment mechanism in place and finds it to be in the public interest. Therefore, Staff recommends approval of the curtailment plan filed by Mescal Lakes with the following modifications:

1. The word "and" should be inserted before the word "poor" in paragraph "b" under Stage 2.

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2. Under Stage 3 there should be a paragraph "a" and "b". Paragraph "a" should be the first sentence as currently written under Stage 3. Paragraph "b" should be the same as paragraph "b" under Stage 2. The reference to the City of Tucson should be eliminated.
3. For the Notice Requirements under Stage 3, the word "Unit" should be replaced with the word "Section" in paragraph "c". A sentence should be added to paragraph "c" that states, "In addition, the Company shall inform the Consumer Services Section of the Company's plans to correct the water shortage problem and how long the Company expects to remain in Stage 3."
4. Under Stage 4 there should be a paragraph "a" and "b". Paragraph "a" should be the first sentence as currently written under Stage 4. Paragraph "b" should be the same as paragraph "b" under Stage 2. The reference to the City of Tucson should be eliminated.
5. For the Notice Requirements under Stage 4, the word "Unit" should be replaced with the word "Section" in paragraph "c". Two sentences should be added to paragraph "c" that state, "In addition, the Company shall inform the Consumer Services Section of the Company's plans to correct the water shortage problem and how long the Company expects to remain in Stage 4. The Company shall immediately notify the Consumer Services Section when the Stage 4 restrictions are lifted."

Staff also recommends that this curtailment procedure become part of Mescal Lakes' Arizona Department of Environmental Quality Emergency Operations Plan.

Staff further recommends that during the period when these water usage restrictions are effective, Mescal Lakes' tariffed reconnection rate shall apply to any service terminated for failure to comply with the curtailment conditions during Stage 4.

Staff further recommends that Mescal Lakes file with the Utilities Compliance Section a copy of the curtailment tariff as approved by the Commission within thirty (30) days of the effective date of the Commission's decision in this matter.

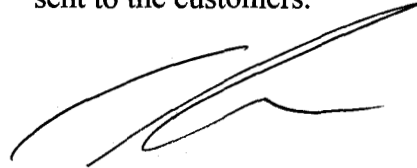
Staff further recommends that the curtailment tariff not become effective until the final tariff is filed with the Compliance Section and verified for accuracy by Staff.

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Staff further recommends that the Company notify its customers of this new tariff within thirty (30) days of the effective date of this decision and file an affidavit with the Compliance Section within forty (40) days of the effective date of this decision verifying that notice has been sent to the customers.



Deborah R. Scott

Director

Utilities Division

for

DRS:RSK:bsl/JMA

Originator: Robert S. Kennedy